

May 4, 2005

Mr. Glenn A. Fine
Inspector General
U. S. Department of Justice
Office of the Inspector General
950 Pennsylvania Avenue, NW, Suite 4322
Washington, DC 20530-0001

Dear Inspector General Fine:

I am writing to request that you perform an audit of the use of federal funds by the Oklahoma Office of Juvenile Affairs (OJA).

On April 12, 2005, the Oklahoma State Auditor released a Special Investigative Audit Report of the Oklahoma Office of Juvenile Affairs which found numerous problems within OJA's use of federal JAIBG funds. The audit reviewed 20 entities that received JAIBG monies for the contract periods of fiscal years 2000, 2001, 2002, 2003 and 2004 for approximately 84 contracts. The State Auditor's report on OJA can be accessed at: <http://www.sai.state.ok.us/Investigative%20Audit%20Division/OJA05.pdf>. The JAIBG audit is discussed on pages 61-77 and 82-84. The State Auditor's earlier report on the Oklahoma Sheriff's Association, which led to the more detailed audit on the JAIBG funds, accessed at: <http://www.sai.state.ok.us/Investigative%20Audit%20Division/OJA.pdf>.

As noted below, there are numerous violations that have been called into question by the State Auditor's Investigatory Report. Given the number and severity of procedural problems uncovered by the audit throughout OJA, I believe it is likely that the federal funds US DOJ provides to OJA for other justice programs also suffer from poor management controls and are subject to abuse.

From the Audit's findings, there appears to be a pattern of systemic problems and procedural abuses within the OJA. The audit of the JAIBG program notes the following 13 areas of concern for the management of JAIBG funds, in addition to one case of criminal misconduct:

1. Lack of accountability: OJA contract files lacked support documentation for the monies that were being reimbursed to the subrecipient/subcontractor. OJA did not properly maintain the required quarterly progress reports and a report of expenditures.

2. Funds were awarded without supporting documentation and not paid on a reimbursable basis as required by state statutes and federal guidelines: 25 subrecipients submitted \$627,444 in claims for lump sum reimbursements without any requests from OJA for support documentation of the expenditures.
3. Untimely facilitation of contract approval: In approximately 29 instances, the auditor was unable to determine whether expenses were incurred prior to a valid contract or incurred subsequent to the period of availability.
4. Overlapping funding periods: There were instances of overlapping contract periods, making it unclear which years contract expenses were reimbursed, which, while not prohibited, merits attention to avoid co-mingling of contract funds or duplication of contract expenses.
5. Budget revisions not pre-approved by OJA officials: Expenditures in some contracts exceeded their budget line categories while other categories were not expended as approved by OJA. While the total grant award was not exceeded, the subrecipient must adhere to their original budget proposal unless otherwise approved by an OJA official.
6. Improper management of JAIBG funds: On two occasions, checks were sent to subrecipients who had not submitted a request of reimbursement.
7. No assignment waivers to subcontractors: Nine local government contracts did not have the required sub-contractor assignment waivers.
8. Circumvented Central Purchasing Act: The contract between OJA and local governments qualify as an inter-government agreement and are exempt from the state requirements of the Central Purchasing Act, and JAIBG funds can only be provided to a governmental agency. However, most of the funds were actually provided to nonprofit corporations, and OJA's method of contracting with governmental entities effectively circumvents JAIBG and competitive bidding requirements.
9. Cash match requirements: Local governments are required to provide a 10 percent cash match, but there were instances where it was difficult to determine if the local government met a cash match. The disorganization of contract files and inconsistencies in the submission of required reports to OJA may have aided in this lack of accountability.
10. Incomplete closeout documentation: Nine contracts did not have "closeout" packages to summarize their program funding and objectives. Some of the closeout documentation reviewed had incorrect amounts of funding and lacked supporting documentation.

11. Inadequate monitoring of subrecipients: There were numerous instances where grantees were not monitored as required by state and federal guidelines to ensure that monies are appropriately expended.
12. Incentive pay: One service provider paid two bonuses to an employee totaling \$886 contrary to OMB Circular A-87, which OJA reimbursed.
13. The accountability of interest generated from federal JAIBG funds: OJA documentation did not provide information needed to confirm that interest is properly accounted for and used in an appropriate manner. JAIBG guidelines require that JAIBG funds must be deposited in an interest-bearing account and the interest may be used only for application to one of JAIBG's 12 program purpose areas and for authorized program administration purposes.

In light of these documented abuses, I respectfully request that you perform a complete audit of the use of federal funds by the Oklahoma Office of Juvenile Affairs.

Thank you for your ongoing efforts to determine compliance with federal law. I look forward to working with you to ensure that federal funding for at-risk juveniles is appropriately spent on critical interventions and assistance.

Sincerely,

Ernest J. Istook, Jr.
Member of Congress

EJI/rjh